






Sometimes clubs want to keep expense money “Separate” from investing money. It is fine to keep some of your cash uninvested if you know you have an expense coming up that you want to use it to pay. Any cash you have available can be used for either investing or paying expenses. You do not record member contributions differently if they will be used to pay club expenses rather than invest. There used to be a method in club accounting where member deposits could be recorded as something called “Fees” Fees were contributions by members that did not purchase units. This has been restricted to being used only when a penalty against a member is being assessed. There are two reasons for this.

First, there was a common misunderstanding that “fees” and whatever expenses they were used to pay were somehow kept separate from the investing pool.

This is not the case. Any deposits recorded in your club accounting become part of your club assets.

Any expenses recorded affect your portfolio return.

Asking them to record member payments differently if they will be budgeted to use for expenses-cont.

	 25%	 20%	 25%	 20%	 10%
Deposit- 5 Member Fees @ \$40=\$200	50	40	50	40	20
Tax Allocation- Deductible Club Expense \$200	50	40	50	40	20

The second problem with Fees is that they affect member ownership differently than people think. A member deposit recorded as a “Fee” goes into the general club assets and increases the value of each members share of the club based on their ownership percentage.

Suppose you have 5 members in your club with these ownership percentages

and you have an upcoming expense for \$200. You ask each person to contribute \$40 toward that expense and you record it as a fee.

This is actually the way the money will be divided up between the members.

While each person has contributed the same “Fee”, they do not experience the same change in value of their share of the club.

Nor are they are they allocated the same amount of the deduction for the Expense. Santa has contributed \$40 but will be able to take a \$50 deduction for the expense. Queen has also contributed \$40 but she will only be able to take a \$20 deduction for the expense.

If you had recorded these contributions as payments, this problem would not exist. Each person would receive the full credit for the amount they’d contributed to their account. There is no reason to deposit money differently just because it is being used to pay expenses. Record all member contributions as payments so that each member’s club ownership is correctly adjusted.